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DJIA **24546.49** -1.88% ▼Nasdaq **6930.54** -1.39% ▼U.S. 10 Yr **4/32 Yield** 3.055% ▲Crude Oil **53.27** -6.87% ▼Euro **1.1365** -0.78% ▼

THE WALL STREET JOURNAL.

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BUSINESS | EARNINGS

Lowe's to Exit Mexico Retail Business, Shed Two Lower-Performing Operations

Home-improvement chain moves to refocus its core operations as it seeks to compete with Home Depot



Lowe's Mexico business accounts for the smallest chunk of the home-improvement chain's portfolio. Here, a Lowe's store in Burbank, Calif. PHOTO: PATRICK T. FALLON/BLOOMBERG NEWS

By *Kimberly Chin*

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Lowe's Co. **LOW -4.79%** ▼ s. plans to exit its retail businesses in Mexico and shed two of its lower-performing home-improvement businesses in a bid to refocus its core operations and help it compete with rival Home Depot Inc. **HD -2.21%** ▼

Lowe's has more than 2,240 stores throughout North America, although Mexico accounts for the smallest chunk of the portfolio. There are currently 13 Lowe's stores in Mexico. Lowe's also said Tuesday that it would exit its contracting service, Alacrity Renovation Services, and its Iris Smart Home businesses in the U.S.

Chief Executive Marvin Ellison said the company sought to identify in the third quarter underperforming or noncore businesses and stores for divestiture. "We're really focused on creating a sustainable foundation," he said on an earnings conference call with analysts. "We made a conscious effort not to chase short-term fixes or short-term results."

Mr. Ellison joined Lowe's in July to help streamline the company. With just a few months on the job, he had recruited David Denton from CVS Health Corp. **CVS -3.06%** ▼ to serve as Lowe's finance chief and pushed for changes inside of stores. The chief executive has called for more prominent placement of new products, and increasing the

stock of faster-selling items while reducing inventory on lower-performing ones.

Lowe's said sales in stores open at least a year grew slowly in its latest quarter, rising 1.5%, while overall sales rose 3.8% from a year earlier to \$17.42 billion. Analysts polled by Refinitiv had expected \$17.36 billion.

Last week competitor Home Depot said its quarterly same-store sales rose 5.1%, and a range of retailers including Walmart Inc., Target Corp. and Macy's Inc. have reported strong sales in recent weeks.

The slower growth at Lowe's stemmed largely from supply-chain weakness that led to continued out-of-stock problems, trouble adding new product lines to shelves and assortment challenges, executives said. The company said it is determined to fix those issues.

Lowe's said its profit fell 27% to \$629 million, or 78 cents a share. The results included \$280 million in pretax charges from closing all of the company's Orchard Supply Hardware stores, closing some underperforming stores in the U.S. and Canada, impairments on the Mexico business, and an inventory write-down related to exiting its Alacrity and Iris businesses.

Excluding certain items, Lowe's posted a profit of \$1.04 a share. Analysts expected 98 cents a share.

The company's shares were off 5.1% early Tuesday afternoon.

Lowe's expects to record pretax charges of \$460 million to \$580 million in the fourth quarter related to the closures.

For the full year, Lowe's reduced its sales-growth target to 4% from a previous forecast of 4.5%. Comparable sales growth is expected to come in at 2.5%, down from the company's prior target of 3%.

It also expects per-share earnings between \$4.08 and \$4.24, down from between \$4.50 and \$4.60 as previously forecast. On an adjusted basis, the company said it expects earnings of \$5.08 to \$5.13 a share.

—Sarah Nassauer contributed to this article.

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